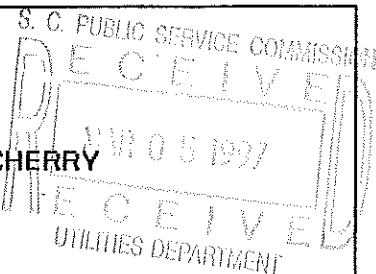


ORIGINAL



1 TESTIMONY OF JACQUELINE R. CHERRY

2 FOR

3 THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA

4 DOCKET NO. 97-003-E

5 IN RE: CAROLINA POWER & LIGHT COMPANY

6
7 Q. WOULD YOU PLEASE STATE FOR THE RECORD, YOUR NAME,
8 ADDRESS AND OCCUPATION?

9 A. My name is Jacqueline R. Cherry. My business address
10 is 111 Doctors Circle, Columbia, South Carolina. I am
11 employed by the Public Service Commission of South
12 Carolina, Accounting Department, as an utilities
13 accountant.

14 Q. WOULD YOU PLEASE STATE YOUR EDUCATIONAL BACKGROUND
15 AND YOUR BUSINESS EXPERIENCE?

16 A. I received a B.S. Degree in Business Administration,
17 with a major in Accounting from Johnson C. Smith
18 University in 1976. I was employed by this Commission
19 in February 1979, and have participated in cases
20 involving gas, electric, telephone, water and
21 wastewater utilities.

22 Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY INVOLVING
23 CAROLINA POWER & LIGHT COMPANY?

24 A. The purpose of my testimony is to set forth, in
25 summary form, the Staff's findings, and

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1 recommendations resulting from our review of the
2 Company's fuel adjustment clause operation for the
3 period January 1996 through March 1997. These
4 findings and recommendations are set forth in detail
5 in the Staff's report.

6 Q. WHAT WAS THE SCOPE OF YOUR AUDIT?

7 A. The Accounting Department Staff traced the fuel
8 information, as filed in the Company's required
9 monthly filing, to the Company's books and records.
10 The audit covered the period January 1996 through
11 December 1996. The purpose of the audit was to
12 determine if Carolina Power & Light Company had
13 computed and applied the monthly Fuel Adjustment
14 Clause in accordance with the approved clause. To
15 accomplish this, Staff examined the components
16 surrounding the operation of the clause.

17 Q. WHAT WERE THE STEPS THAT THE STAFF EMPLOYED WITHIN THE
18 SCOPE OF THE AUDIT?

19 A. The examination consisted of the following:

- 20 1. An Analysis of Account # 151, Fuel Stock
- 21 2. Sample of Receipts to the Fuel Stock Account,
22 Account # 151
- 23 3. Verification of Charges to Nuclear Fuel
24 Expense, Account # 518

25

- 1 4. An Analysis of Purchased Power and Interchange
2 (Net)
3 5. Verification of KWH Sales
4 6. A Comparison of Coal Costs
5 7. Recomputation of Fuel Costs Adjustment Factor,
6 and Verification of Deferred Fuel Costs
7 8. Recomputation of True-up for Over/Under -
8 Recovered Fuel Costs
9 9. Analysis of Spot Coal Purchasing Procedures
10 Q. MRS. CHERRY, PLEASE WOULD YOU ELABORATE ON THE SCOPE
11 OF YOUR EXAMINATION?
12 A. Staff's analysis of the Fuel Stock Account
13 consisted of tracing receipts and issues from the
14 Fuel Management System by month to the General
15 Ledger. Staff's sample of receipts to the Fuel Stock
16 Account consisted of randomly selecting transactions,
17 tracing each of these transactions to a waybill and a
18 purchase order for documentation purposes, and
19 recalculating the transactions to insure mathematical
20 correctness. Staff verified nuclear fuel expense
21 amounts to the Company's General Ledger. The expenses
22 were also verified to the monthly fuel reports filed
23 by the Company with this Commission. Staff performed
24 an examination of the Company's purchased power and
25 interchange amount used in the Fuel Adjustment Clause

1 for the period January 1996 through December 1996.
2 Staff obtained the details of purchases and sales made
3 by Carolina Power & Light Company to and from other
4 electric utilities and verified the amounts which are
5 being used in computing total fuel cost for each
6 month. Furthermore, in accordance with PSC Order No.
7 90-961, Docket No. 90-4-E, dated October 18, 1990,
8 Staff was specifically directed to examine the
9 Company's nonfirm, off-system sales to preclude any
10 possible problems in this area and to include language
11 in its audit procedures to address these matters.
12 Accordingly, Staff chose four test months, February,
13 March, July and August 1996, to examine the sales and
14 purchases processes virtually from beginning to end,
15 especially on Economy A and B type transactions.
16 Staff traced the sales and purchases transactions for
17 February, March, July and August 1996 to the Company's
18 typed Daily System Dispatch Sheets (the Company no
19 longer does handwritten Daily System Dispatch Sheets)
20 and to the monthly invoices. Staff recomputed all
21 sales and purchases, including the split-the-savings
22 costs of Economy A and B transactions. In accordance
23 with Public Service Commission Order No. 90-961,
24 Docket No. 90-4-E, dated October 18, 1990, Staff will
25 continue to review these types (nonfirm, off-system)

1 of transactions during future audits.

2 Staff's review of KWH sales included verification of
3 total system sales as filed in the monthly factor
4 computation. Staff prepared exhibits from Carolina
5 Power & Light Company's books and records reflecting
6 coal costs during the review period. Specifically,
7 these exhibits are as follows:

8 Exhibit A - Coal Cost Statistics (and Weighted
9 Average of Coal Received)

10 Exhibit B - Received Coal - Cost Per Ton Per Plant

11 Exhibit C - Received Coal- Cost Per Ton Comparison

12 With reference to Exhibit A, Coal Cost Statistics,
13 Staff has reflected a detailed analysis of spot and
14 contract coal for the twelve-month period January 1996
15 through December 1996. The detail gives emphasis to
16 tons received, cost per ton received, total received
17 cost, percentage of tons received and cost per MBTU.
18 Also, in Exhibit A, the Weighted Average of Coal
19 Received is reflected for the twelve-month period. In
20 Exhibits B and C, Staff reflects a comparison of coal
21 costs on a per ton basis. Exhibit B is a comparison
22 between Carolina Power & Light's plants and Exhibit C
23 is a comparison between companies.

24 Staff analyzed the cumulative over-recovery of fuel
25 costs that the Company had incurred for the period

1 January 1996 through December 1996, totaling \$186,139.
2 Staff added the projected over-recovery of \$442,338
3 for the month of January 1997, the projected
4 over-recovery of \$1,321,374 for the month of February
5 1997, and the projected over-recovery of \$2,088,722
6 for the month of March 1997 to arrive at an cumulative
7 over-recovery of \$4,038,573 as of March 1997. The
8 Company's cumulative over-recovery, per its testimony
9 in Docket No. 97-003-E, as of December 1996 totals
10 \$87,610 and as of March 1997 the cumulative
11 over-recovery totals \$3,940,045. The difference
12 between the Company's and the Staff's cumulative
13 over-recovery as of actual December 1996 is \$98,529,
14 and the difference as of estimated March 1997 is
15 \$98,528. The cumulative difference as of December
16 1996 of \$98,529 is based on Staff's calculation
17 adjustments to the Company's Purchased Power Costs for
18 March 1996 and for August 1996 through October 1996
19 (per Staff's report). The difference between the
20 December 1996 and the March 1997 respective cumulative
21 differences of \$98,529 and \$98,528 is based on
22 rounding.
23 As stated in Carolina Power & Light's S.C. Retail
24 Adjustment for Fuel Costs Rider, fuel costs will be
25 included in base rates to the extent determined

1 reasonable and proper by the Commission. Accordingly,
2 the Commission should consider the over-recovery of
3 \$4,038,573 along with the anticipated fuel costs for
4 the period April 1, 1997 through March 31, 1998, for
5 the purpose of determining the base costs of fuel in
6 base rates effective April 1, 1997. The \$4,038,573
7 over-recovery figure was provided to the Commission's
8 Utilities Department. Refer to Exhibit G, South
9 Carolina Fuel Costs Computation, for details of the
10 over-recovery computation.

11 Q. MRS. CHERRY, WHAT WERE THE RESULTS OF THE ACCOUNTING
12 DEPARTMENT'S AUDIT?

13 A. Based on the Staff's examination of Carolina Power &
14 Light Company's books and records, a comparison of
15 fuel costs among utilities, and the utilization of the
16 fuel costs recovery mechanisms as directed by this
17 Commission, the Accounting Department is of the
18 opinion that the Company has complied with the
19 directives of the Commission.

20 Q. MRS. CHERRY, WOULD YOU IDENTIFY THE REMAINING
21 EXHIBITS CONTAINED IN YOUR REPORT WHICH HAVE NOT
22 BEEN IDENTIFIED?

23 A. The exhibits are as follows:

24 Exhibit D - Coal Fuel Stocks - Number of Days of
25 Supply (All Plants)

1 Exhibit E - Total Burned Costs (Fossil and Nuclear)
2 Exhibit F - Cost of Fuel
3 Exhibit G - S.C. Fuel Costs Computation
4 Q. MRS. CHERRY, DOES THIS CONCLUDE YOUR TESTIMONY?
5 A. Yes, it does.
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